

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 611 - SB 846

February 23, 2017

SUMMARY OF BILL: Exempts pet grooming services from state and local sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$1,407,400

Decrease Local Revenue – Net Impact – \$574,300

Assumptions:

- According to the Department of Revenue, only bathing services are currently subject to the state and local sales taxes. However, if bathing is provided in combination with grooming, the entire service is subject to such taxes.
- According to the United States Economic Census, pet grooming services sales in Tennessee were \$10,207,000 in 2007 and \$19,303,000 in 2012, representing a 89.1 percent increase over the five-year period.
- Assuming a similar increase over the five-year period following year 2012, pet grooming services sales in Tennessee in 2017 are estimated to be \$36,501,973 [$\$19,303,000 \times (1 + 89.1\%)$].
- Sixty percent of such sales, or \$21,901,184, is assumed to be subject to the state and local sales taxes under current law. This number is assumed to remain constant in subsequent years.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring decrease in state sales tax revenue is estimated to be \$1,477,631 [$(\$21,901,184 \times 7.0\%) - (\$21,901,184 \times 7.0\% \times 3.617\%)$].
- The total recurring decrease in state sales tax revenue is estimated to be \$602,982 [$(\$21,901,184 \times 2.5\%) + (\$21,901,184 \times 7.0\% \times 3.617\%)$].
- Fifty percent of tax savings, or \$1,040,307 [$(\$1,477,631 + \$602,982) \times 50.0\%$], will be spent in the economy on other sales-taxable goods and services.
- The net recurring increase in state sales tax revenue is estimated to be \$70,187 [$(\$1,040,307 \times 7.0\%) - (\$1,040,307 \times 7.0\% \times 3.617\%)$].
- The total recurring decrease in state sales tax revenue is estimated to be \$28,642 [$(\$1,040,307 \times 2.5\%) + (\$1,040,307 \times 7.0\% \times 3.617\%)$].

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- The net recurring decrease in state sales tax revenue as a result of this bill is estimated to be \$1,407,444 (\$1,477,631 - \$70,187).
- The net recurring decrease in local sales tax revenue as a result of this bill is estimated to be \$574,340 (\$602,982 - \$28,642).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee" followed by a small, stylized monogram or initials.

Krista M. Lee, Executive Director

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